



For PERS  
Defined Contribution  
Retirement Plan &  
State 457 Deferred  
Compensation Plan  
Participants

Montana Public Employee Retirement Administration (MPERA)

March 2006

This newsletter is devoted to participants of the Public Employees' Retirement System (PERS) Defined Contribution Retirement Plan (DCRP) and the State 457 Deferred Compensation Plan. The articles within this newsletter pertain specifically to investing within the DCRP and State 457 Plan.

## Annual Investment Option Review

The Public Employees' Retirement Board's (the Board) annual investment option review is about to start. Each year, the Board, with input from its' Employee Investment Advisory Council (EIAC), determines if the investment options within the PERS Defined Contribution Retirement Plan and the State 457 Deferred Compensation Plan meet the benchmarks and objectives in the Board's adopted investment policy statements. The full investment policy statements are available at: <http://mpera.mt.gov>.

Some of the established benchmarks are:

- The Sharpe Ratio Test for the most current 3-year period must meet or exceed the 50<sup>th</sup> percentile Sharpe Measure of an appropriate industry accepted database containing a sufficient number of funds in the same asset class and investment category.

- Fund rate of return for the most current 3-year period must meet or exceed the 50<sup>th</sup> percentile return of an appropriate industry accepted database containing a sufficient number of funds in the same asset class and investment category.
- A fund must receive a Morningstar Category Rating of 3 stars (neutral) or higher for the most current 3-year period.

Initially, the Board's independent investment consultant reviews and analyzes the investment options against the above benchmarks and other critical indicators. The analyst then reports, in person, the results of the review to the EIAC. The EIAC makes recommendations, if necessary, for changes to the Board. The Board makes all final decisions about investment option changes, deletions or additions.■

The independent investment consultant's first report to the EIAC will occur on Wednesday, March 8, 2006 at 100 North Park, Suite 200. This meeting is open to the public; the full agenda will be posted at <http://mpera.mt.gov> one week prior to the meeting.

Public comment will be taken at the meeting. Comments may also be sent, in writing, to: Kathy Samson, MPERA, PO Box 200131, Helena MT 59620-0131 or [ksamson@mt.gov](mailto:ksamson@mt.gov).

*In addition to the above benchmarks, the following critical indicators are reviewed:*

- 1 *Changes in fund manager or manager's style.*
- 2 *Changes in the fund class and category—for example, a small cap fund becomes a mid-cap fund or a value fund becomes a growth fund.*
- 3 *Changes in the fund's stated objectives.*

## GOOD NEWS!

### PERS Defined Contribution Retirement Plan Fee Cap

Currently, all Public Employees' Retirement System Defined Contribution Retirement Plan participants pay an annual administrative fee of 75 basis points (3/4 of 1%) or 18.75 basis points each quarter. This fee is deducted directly from each participant's account to pay the Montana Public Employee Retirement Administration (MPERA) administrative costs.

Effective January 1, 2006, this administrative fee was capped at \$300 annually for all participants with accounts above \$50,000. The cap will be in place when fees are deducted at the end of March (1<sup>st</sup> quarter of 2006).■

## What Happens If An Investment Option Changes?

On occasion, the annual investment option review (see page one) will result in the discontinuation of an investment option, even though its returns are good. This will happen if an option does not meet other benchmarks or critical indicators. It may also happen if an option changes its objectives or shifts to a different asset class. For example, it is not unusual for a small cap fund to "grow" into a mid cap fund.

The options offered with the plans must cover all standard

asset classes and categories so that participants have the ability to diversify. If a small cap fund "grows" into a mid cap fund, it may be replaced by a new option that is a true small cap fund.

When an investment option is discontinued, a 90-day closure window is usually established. All participants are notified of discontinued options and the closure window. This allows participants to personally move any money in the discontinued

option to other desired options. Money left in a discontinued option, at the end of the closure

window, is automatically transferred to a similar option. For example, money left in a closed large cap value fund will be transferred to

the new large cap value fund. This process allows participants' investment strategy to continue even when option changes occur.■

**"Even though the returns are good, the review may result in the discontinuation of an investment option."**

## EIAC Representative Sought

The Montana Public Employees' Retirement Board (the Board) is searching for a local government (city, county, water district, etc.) representative for its Employee Investment Advisory Council (EIAC).

The EIAC is a 13 member advisory council established under section 19-3-2122, MCA. The EIAC advises the Board con-

cerning the operation of the PERS Defined Contribution Retirement Plan and the State 457 Deferred Compensation Plan, including the selection of the investment options and review and selection of third-party contracted services.

The ideal candidate must be a participant of either the PERS Defined Contribution Retirement

Plan or the State 457 Deferred Compensation Plan. More information regarding the EIAC can be found at MPERA's website: <http://mpera.mt.gov>. Participants interested in serving on the EIAC may contact Kathy Samson at (406) 444-2996 or toll-free (877) 275-7372.■

## Secrets to Successful Investing

**Y**ou've probably seen magazines that show pictures of prosperous-looking people who have "made it big" in investing. What are their "secrets to success"?

Here are three to consider: First, create a plan. By following an investment plan that's based on your risk tolerance, your specific goals and your time horizon, you may be able to make steady progress toward your objectives.

Second, keep investment performance in perspective. If you are constantly fretting about short-term price movements, you'll be tempted to make hasty "buy" and "sell" de-

cisions. Instead of focusing on an investment's price drop today, look at its potential for tomorrow.

Finally, invest for the long term. Build and maintain a portfolio that's designed to help you achieve your long-term goals, such as a comfortable retirement. By following these suggestions, you may never land on a magazine cover, but you should be pleased with the results.■

---

*This article is provided with permission from Edward Jones Investments as an educational tool; it does not advise or recommend specific investments or investment strategies.*

## Rebalancing in a Volatile Market

Remember when you put together a diversified blend of investments in your retirement savings account, just like the experts suggest? You also made periodic adjustments to rebalance it and get back on target. Then the market took off like a rocket and, over time, you found yourself with considerably more money invested in certain funds than you originally intended. But you were earning a good return on your overweighted portfolio, and it just didn't make sense to take a slice out of funds with double-digit returns and put it into funds with much more modest gains.

When it comes to the market, what goes up usually comes down, and vice versa—often quickly and unexpectedly. Market downturns in the past have certainly proved the rule. If you hadn't already adjusted your over-

weighted portfolio, the market likely did it for you.

A well-diversified portfolio can help lessen the impact of short-term volatility. By rebalancing your portfolio occasionally, you ensure that it is optimally diversified to weather the next market jolt. Trying to make changes while the market is experiencing significant volatility is difficult and risky. Instead, make rebalancing a regular part of your account maintenance. The next time your portfolio is overweighted by more than five or ten percent from your target, rebalance. It's less painful, and usually more profitable, than waiting for a market correction.■

---

*This article is provided with permission from Arnerich Massena & Associates, Inc. as an educational tool; it does not advise or recommend specific investments or investment strategies.*

**Brian Schweitzer**  
Governor

**Public Employees'**  
**Retirement Board**

**Carole Carey**  
President

**Betty Lou Kasten**  
Vice-President

**Robert Griffith**

**Jay Klawon**

**Troy W. McGee**

**John Paull**

**Terrence Smith**



**Roxanne Minnehan**  
Interim Executive Director

### MPERA

100 North Park Avenue  
PO Box 200131  
Helena MT 59620-0131  
Phone (406) 444-3154  
Toll Free (877) 275-7372  
E-mail mpera@mt.gov  
Fax (406) 444-5428

Official publication of the  
Montana Public Employee  
Retirement Administration

**Editor: Carolyn Miller**

*Should any information in this newsletter conflict with statute or rules, the statute or rules will apply.*

## Board, EIAC and Committee Meeting Notices

Notice of the Montana Public Employees' Retirement Board's (the Board) regularly scheduled meetings, as well as the Employee Investment Advisory Council's (EIAC) meetings and the Board Committees' meetings can be found at: <http://mpera.mt.gov> or on the State of Montana's e-calendar, accessible at <http://mt.gov>.

The Board generally meets on the fourth Thursday of every month in the Board's conference room at 100 North Park, Suite 200, in Helena. The EIAC and the Board Committees generally meet as needed. Visitor parking is available in the west parking lot, next to the building.■

You may contact Great West Retirement Services, the Plans' contracted service provider, to review your account and asset allocation.

**Great West Retirement Services**

**208 N. Montana Avenue**

**Suite 103-C**

**Helena MT 59601**

**Phone (406) 449-2408**

**Toll Free (800) 981-2786**

**Fax (406) 449-3306**

To Make Investment Option Changes, you may use:

**Key Talk™, 1-877-699-4015; a voice response system or talk to a customer service representative during normal business hours. Or visit the Website at [www.mperadcplans.com](http://www.mperadcplans.com)**